

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA



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In the Matter of Application of Calaveras Telephone Company (U1004C) to Review Intrastate Rates and Charges, Establish a New Intrastate Revenue Requirement and Rate Design, and Modify Selected Rates.

A.16-10-002
(Filed October 3, 2016)

**PROTEST OF
THE OFFICE OF RATEPAYER ADVOCATES**

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November 2, 2016

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I. INTRODUCTION

Pursuant to Rule 2.6 of the California Public Utilities Commission's ("Commission") Rules of Practice and Procedure, the Office of Ratepayer Advocates ("ORA") files this timely protest to Application ("A.") 16-10-002 of the Calaveras Telephone Company ("Calaveras"). Calaveras's Application seeks authorization to establish a new intrastate revenue requirement and rate design.

Calaveras filed its Application on October 3, 2016. This protest is timely filed pursuant to the schedule set forth in the Rate Case Plan, Decision 15-06-048.

In its Application, Calaveras requests to draw from the California High Cost Fund –A ("CHCF-A"). CHCF-A was implemented in accordance with Public Utilities Code (Pub. Util.) Section 275.6 to provide universal service rate support to small independent telephone corporations that could then provide their customers telephone service in rural areas that is reasonably comparable to that in urban areas, and to facilitate deployment of broadband service. The California High Cost Fund-A program is a corporate subsidy program supported from surcharges applied to voice services only and the program currently has a surcharge rate of 0.35%.¹ As of August 25, 2016, the 2016-2017 CHCF-A program budget is \$43.4 million with a statewide average subsidy

¹ <http://www.cpuc.ca.gov/General.aspx?id=1124>.

per CHCF-A line of approximately \$815 per year,² which is more than five-times higher than the CHCF-B fund subsidy of \$145.³

II. APPLICATION

In its Application, Calaveras requests that the Commission adopt an intrastate revenue requirement of \$7,299,807 for test year 2018 based on \$5,449,428 in anticipated regulated expenses and property taxes, a return on rate base of \$1,146,093 at a 14.3% rate of return and forecasted tax liabilities of \$704,286. Calaveras's proposed 2018 revenue requirement and forecasted revenues result in a CHCF-A draw for test year 2018 of \$4,109,108 or approximately 98% more than the approved 2009 draw of \$2,071,163 per Resolution T-17184.

III. GENERAL ISSUES

ORA is conducting the necessary examination of the testimony and work papers that Calaveras has provided to support the requests in its Application, consistent with the statutory requirement that "all charges demanded or received by any public utility...shall be just and reasonable."⁴ ORA will also be issuing discovery to obtain clarification and supporting documentation for underlying assumptions and calculations to ensure that the company's requests are in the public interest.

The following provides a non-exhaustive identification of issues ORA intends to examine and address in its testimony before the Commission:

1. Calaveras's proposal to align its rates across its two exchanges - Copperopolis Exchange and Jenny Lind Exchange. For Copperopolis Exchange the proposed rates show 11.11% increase in rates for Individual Access Line-Residential customers and a 17.43% increase for Individual Access Line- Business customers. For Jenny Lind the proposed rates show a 6.13% increase in rates for Individual Access Line-Residential customers and a 2.77% increase for Individual Access Line- Business customers.

² CHCF-A Fact Sheet at <http://www.cpuc.ca.gov/General.aspx?id=991>.

³ CHCF-B Fact Sheet at <http://www.cpuc.ca.gov/General.aspx?id=989>.

⁴ Pub. Util. Code § 451.

2. Calaveras's proposal to increase its A-Fund subsidy/draw to an amount almost 98% higher than its draw established in its last general rate case.
3. Calaveras's subsidy is approximately over \$1,100 per line per year, based on projected 2018 data.
4. Calaveras's overall quality of voice and broadband service pertaining to safety and reliability.
5. Calaveras's proposal for a new depreciation study with generally lower composite rates; therefore, Calaveras is reevaluating existing plant service lives.

The above items represent a general summary of the issues ORA has preliminarily identified within the Application. As discovery proceeds, other issues may arise and ORA reserves the right to address such issues in its testimony.

IV. PUBLIC PARTICIPATION HEARINGS

ORA opposes Calaveras's proposed schedule to move public participation hearing (PPH) dates to day 200 from the date of the filing. Public participation hearings are an essential way for ORA to gather information as input for its testimony on issues ranging from rates to quality of service, public safety, and other concerns that ratepayers may have. To address Calaveras's concern that those attending the PPH will not have ORA's testimony proposing rates that may be different from the utility's, ORA suggests that Calaveras include in its customer notices for the PPH a statement indicating that the Commission has established \$30 to \$37 as the reasonable range for an all-inclusive rate for telephone service.⁵ Customers would then be properly noticed that rates can go as high as \$37 and they can provide input during the PPH as to the reasonableness of potential rates.

⁵ Ordering Paragraph 9, D.14-15-084.

V. CATEGORIZATION AND PROPOSED SCHEDULE

ORA agrees with Calaveras's categorization of this proceeding as ratesetting and that the revenue requirement and rate design issues involved in this case may require hearings.

Below, ORA's proposed schedule adjusts for weekends and holidays. ORA would like to request a staggered schedule between the four Group B general rate cases filed on October 3, 2016. ORA has one team of analysts working on three different rate cases – Calaveras, Ponderosa (A.16-10-001), and Cal-Ore (A.16-10-004). Therefore, a staggered schedule will allow the team time to properly prepare its filings in each case.

ORA Proposed Schedule – Calaveras

Benchmark/Timeline	Day- Rate Case Plan	Proposed Date
Utility Application Testimony Filed	0	10/03/2016
Protests Filed	30	11/02/2016
Utility Response to Protest	40	11/14/2016
Prehearing Conference	60	12/5/2016*
Public Participation Hearing (PPH)	0-150	week of Jan. 23
ORA/Intervenor Testimony	150	3/23/2017
Utility Rebuttal Testimony	180	4/22/2017
Evidentiary Hearings (week of)	210	5/29/2017
Opening Brief	250	7/7/2017
Reply Brief	271	7/28/2017
PD Mailed	331	9/26/2017
Comments on PD	351	10/16/2017
Commission Meeting	361-390	Oct - Nov

* ORA is proposing prehearing conferences for Calaveras and Cal-Ore Telephone Company on December 5, 2016, wherein one company can hold its prehearing conference in the morning, followed by the second prehearing conference for the other company in the afternoon. In doing so ORA would like to effectively use the resources that are being shared across these cases.

VI. CONCLUSION

Calaveras's Application includes numerous requests with direct impacts upon rates, charges, and A-Fund subsidies. The reasonableness of the assumptions and the accuracy of the calculations underlying the requests must be reviewed to ensure that the requested relief is just and reasonable. Although ORA is hopeful that resolution of any disputed issues can be achieved through the settlement process, evidentiary hearings may be required, and a schedule should be established to accommodate thorough examination of the Application.

Respectfully submitted,

/s/ SHANNA FOLEY

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